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Message Text

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72
ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-14 NEA-10 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

JUSE-00 FTC-01 SS-20 NSC-10 DRC-01 /164 W
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R 141853Z DEC 73
FM USMISSION OECD PARIS
TO SECSTATE WASHDC 1405
INFO AMEMBASSY HELSINKI
ECMISSION BRUSSELS 9028

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E.O. 11652: N/A
TAGS: EFIN, OECD
SUBJECT: INVISIBLES COMMITTEE EXAMINATION OF FINLAND

REF: (A) OECD 31973
(B) OECD 27399
(C) DAF/INV/73.71
(D) DAF/INV/73.72

1. SUMMARY: INVISIBLES COMMITTEE (IC) COMPLETED THIRD EXAMINATION OF FINNISH RESERVATIONS TO CAPITAL MOVEMENTS CODE (CMC), AND AGREED TRANSMIT FINNISH INVOCATION OF DEROGATION CLAUSE UNDER ARTICLE 7(B) TO COUNCIL. END SUMMARY.

2. EXAMINATION OF FINNISH RESERVATIONS (REFS B AND C). FINISH EXPERT RESTATED NEED TO MAINTAIN ALL 20 RESERVATIONS (SEE REF B) ON GROUNDS OF DOMESTIC MONETARY POLICY, PROTECTION OF DOMESTIC CAPITAL MARKETS, OR BALANCE OF PAYMENTS DISEQUILIBRIA. SMALL FINNISH ECONOMY NEEDED PROTECTION FROM PERIODIC CRISES, AND RESERVATIONS COVERED POTENTIAL USE OF VARIOUS POLICY INSTRUMENTS. RESERVATIONS WERE
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ACKNOWLEDGED TO BE LARGELY PRECAUTIONARY, BUT FINNISH AUTHORITIES

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BELIEVED THEY WERE LEBERALLY IMPLEMENTED. IC
NOTED ONCE AGAIN THAT RESERVATIONS SHOULD NOT BE MAINTAINED
TO COVER PORTENTIAL USES OF POLICY INSTRUMENTS SINCE DEROGATIONS
CAN ALWAYS BE INVOKED. SEVERAL EXPERTS EXPRESSED CONCERN AT SEMI-
PERMANENCE OF RESTRICTIONS AND HOPED FINLAND WOULD TAKE
MEASURES TO BRING ABOUT STRUCTURAL CHANGE. U.S. EXPERT NOTED
HE SAW NOTHING IN REF B OR FINNISH
RESPONSE TO IC QUESTIONING THAT INDICATED FINLAND WOULD MAKE
STRUCTURAL OR OTHER CHANGES NECESSARY TO MOVE TOWARD
LIBERALIZATION AT ANY TIME SOON. IC AGREED TO MODIFY INITIAL
WEAK CONCLUSIONS (REF C) BY ADDING PARA 11 AFTER FIRST
SENTENCE PARA 13, TO REFLECT ABOVE POINTS OF VIEW. NEW PARA
13 WILL INCLUDE STATEMENT THAT FINLAND WILL ENDEAVOR WHEREVER
POSSIBLE TO REPLACE CMC RESTRICTIONS BY OTHER CORRECTIVE ACTION.
IN PARTICULAR, IT WILL NOTE THAT FINLAND IS AWARE OF THE
UNDESIRABLILITY OF MAINTAINING RESTRICTIONS MERELY AS STANDBY
SAFEGUARDS TO USE TO COUNTER UNFAVORABLE DEVELOPMENTS IN TIME OF
STRESS. WHETHER THIS WILL LEAD TO ANY REAL EFFORT IN NEAR
FUTURE TO MOVE TOWARD FURTHER LIBERALIZATION IS MOOT QUESTION
AT PRESENT.

3. IVOCATION BY FINLAND OF ARTICLE 7(B) DEROGATION CLAUSE (REF
D). ITEM PASSED TO COUNCIL WITHOUT FURTHER COMMENT.
BROWN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, FOREIGN INVESTMENTS, INVESTMENT CONTROLS, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973OECDP32006
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731224/aaaaarqc.tel
Line Count: 85
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) OECD 31973
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 27 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27-Aug-2001 by garlanwa>; APPROVED <27-Nov-2001 by morefirh>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INVISIBLES COMMITTEE EXAMINATION OF FINLAND
TAGS: EFIN, OECD, INVISIBLES COMMITTEE IC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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